



A COMPARATIVE STUDY OF NON- PERFORMING ASSETS (NPAs) IN SELECTED PUBLIC SECTOR BANKS AND PRIVATE SECTOR BANKS IN INDIA

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Abstract:

Banks play a very important role in any Financial System. It is the backbone of the Indian Financial System. The Rising NPA's of the Banks in India for the last 5 years has really posed a threat to the Indian financial system. Recently Standard & Poor Global Rating agency has expected the NPA's of Indian banks to remain elevated at 3.9 %. NPA helps to measure the Performance of any bank. It is quite evident that the Recent Covid Pandemic has badly hit not only India but the entire world to a greater extent. The Public and Private sector banks in India both have been adversely affected by the Rising NPA. Through this research, it has been observed that public sector banks are more adversely affected than Private sector banks. This Study Focus on the Trend & Differences in the Non-Performing Assets of the Selected Indian Public and Private Sector Banks.

Keywords: NPA, Finance, Banks, Rating, Financial System, ROA.

Introduction:

The Indian banking sector is the backbone of the country. It reflects the financial health and economic conditions of the country. The bank's main role is to finance various sectors such as agriculture, industry, housing and homebuilding, and to accept deposits from retail, industrial and institutional customers. Accepting deposits is generally risk-free, as the banker is obligated to repay the deposit at any time upon demand. On the other hand, loans always carry a high degree of risk, as there is no certainty that they will be repaid. Recently, banks have become very cautious about lending out of fear of an increase in non-performing assets. If the borrower fails to pay the principal and interest within 90 days, the borrower's mortgage asset becomes NPA. Assets like this bring neither income nor profit to the bank.

Types of NPAs:

1. Gross Non-Performing Assets
2. Net Non-Performing Assets

Gross Non-Performing Assets:

- Gross NPAs are the sum of all loan assets that are classified as NPAs as RBI guidelines as on balance sheet date.
- It contains of all Non-Standard assets like as sub-standard, doubtful and assets.
- It can be calculated with the help of following ratios:

$$\text{Gross NPAs Ratio} = \frac{\text{Gross NPAs}}{\text{Gross Advance}} * 100$$

Net Non-performing Assets:

Net NPAs are those type of NPAs in which the bank has deducted the provision for uncertain and unpaid debts.

- Net NPAs is obtained by reducing the provision from gross NPAs and show the actual burden of banks. It can be calculated by following:

$$\text{Net NPAs} = \text{Gross NPAs} - \text{provision on Gross Advances}$$

Categories of Non-Performing Assets:

On the periods basis Non-Performing Assets are classified into 3 categories:

1. Sub-standard Assets
2. Doubtful Assets
3. Loss Assets

- ❖ **Sub-standard Assets:** A sub-standard asset of NPA for a period less than or equal to 12 months.
- ❖ **Doubtful Assets:** A Doubtful asset is asset of NPA for more than 12 months.
- ❖ **Loss Assets:** A loss asset is type of asset of NPA which losses has been identified by the bank authority, auditors, or the RBI but the loss amount has not been written off fully.

Review of Literature

Prashanth K Reddy (2002) examines bank NPAs in an international context, with an emphasis on economic variables, in Asian countries, India, China, Thailand, Korea, and Japan. He conducted a comparative study using gross and net NPA over nine years. He jointly explained the similarities, differences and remedies of NPAs in the international context

MRS. Asha Singh (2013) analyzed the gross and net NPA of Indian commercial banks over a ten-year period. He said the NPA reflects the bank's performance. The scope of NPAs is relatively broader for public sector banks. According to their research, NPA is considered the main indicator of credit risk. Therefore, NPAs should be organized according to the right approach in order to increase their effectiveness and profits. It is absolutely impossible to own an NPA with zero shares. However, at a minimum, Indian banks should be careful to ensure that they are providing loans to responsible customers.

Krishna Murali (2014) found 39 bank NPAs. Based on this study, it was found that the management of NPAs in public banks in India has improved significantly. This is due to the decrease in the volume ratio of total NPA to total upfront payments. This study finally, it noted that the prudence and provisioning standards and initiatives taken by regulators put pressure on banks to improve their performance, resulting in a reduction in NPAs.

N.A Kavitha, M. Muthu Meenakshi (March 2016) investigated relatively high levels of NPAs in public sector banks. Although the government has taken various measures. NPA will be reduced, but there is still much work to be done to curb this problem. To improve efficiency and profitability, you need to plan your NPA. The government has taken some steps. to reduce NPA. They also found in the study that the issue of NPAs needs a lot of serious work, otherwise NPAs will continue to hurt banks' profitability, which is not at all good for the growing Indian economy. I also mentioned no.

Dr. Kapil K Dave (2016) a comparative study of NPAs for public and private sector banks concludes that each bank should have its own independent rating agency to assess the financial performance of borrowers prior to loan facilities. An effective board of financial experts with extensive knowledge in the field can be set up to manage the NPA. NPA is considered an important rating factor for any bank. Need to assess the customer's financial situation on a regular basis.

Abid Husain, G. Kadiu, Dr. Rasikbhai, I. Prajapati (February 2020) There is a difference between NPAs in both public and private sector banks. This study shows that bank type and sector NPA do not have a compounding effect on a bank's overall NPA. The findings show that higher NPAs were observed for public

sector banks in both the priority and non-priority categories. All selected private sector banks have an average NPA of less than 5% over the sample period, and all selected large public sector banks have an average NPA of more than 5% over the sample period. The study finds that private sector banks have better asset quality and debt coverage efficiencies than public sector banks. Compared to private banks, public sector banks recorded higher NPAs.

Gilnara Mona Ramesh Bhai (July 2020) participated in the NPAs investigation of 5 public and 5 private banks. This research paper examined data from public and private sector banks over the last five years. This research paper attempts to evaluate different NPA ratios based on secondary data. This research paper provides conceptual insight into the meaning of NPA, various indicators related to NPA, and compares her NPA of public and private sector banks. By comparison, we can see that her NPA for public sector banks is higher compared to private sector banks. The gross and Net NPA of public sector banks are higher than those of private sector banks. We found that increasing the number of NPA had a negative impact on bank profitability.

Research Gap:

Even though there has been a lot of study done in this field, the comparison of two public sector banks (SBI, BOI) and two private sector banks (HDFC, ICICI Banks) during the course of the 2017-2022 fiscal year has not yet been completed. I have performed a comparison analysis here by trashing these particular institutions. Additionally, they examined the connection between important bank metrics and NPAs.

Statement of the Problem:

With the changing times, the definition of the police agency is also changing. Therefore, his NPA in India is increasing gradually and at an accelerating rate. It is considered one of the key indicators for evaluating a bank's financial performance. Therefore, it is very important to explore the NPA dynamic changes in the Indian banking sector. This can be better understood by conducting a comparative analysis of public and private sector banks in India. There are two public sector banks here. SBI and BOI, and two private banks. ICICI Bank and HDFC Bank were selected for research purposes as they are the most prominent in their particular field and the best in their category. The study focused on various factors such as total NPA %, net NPA %, and return on investment %, net NPA, and net profit to explore both public and private banks.

Objectives:

1. To study the relationship between NPA with the key parameters of selected banks.
2. To find out the impact of NPA on profit and Return on Assets (ROA) of the selected banks.
3. To study the trend of NPA of selected banks.

Scope of the Study: The scope of the study is comparative analysis of 2 public sectors banks and 2 private sectors banks in India for the duration of 2017 to 2022.

Methodology of Study:

1. Sources of Data: The present study based on secondary data. These data have been collected from different sources such as:

- Annual reports of SBI, ICIC Bank, RBI, BOI, HDFC Bank
- Press Release Report of SBI, ICICI Bank, BOI, HDFC Bank and related subject matter and related website of public and private sector banks in India.

2. Sample Design: The public and private sector bank for the study were selected based on convenience sampling method for these 2 public sectors and 2 private sectors banks in India were taken for the study on the basis of market capitalization. The study period is from 2017 to 2022.

The following are the selected sample banks:

- Public sector bank: State Bank of India (SBI), Bank of India(BOI)
- Private sector bank: ICICI Bank, HDFC Bank

3. Statistical Tools Used:

- Mean has been calculated to know the average performance and to know the stability in the performance of the banks to find out the relationship between NPA and other key parameters of bank.
- Data analysis was done with Microsoft Excel

Data Analysis & Interpretation:

Tabel-1

YEAR	Trend of NPAs of SBI, BOI, HDFC and ICICI Bank from 2011-12 to-2021-22 in Crores of Rupees			
	BANKS			
	SBI	BOI	HDFC BANK	ICICI BANK
2011-12	15818.85	3656.42	352.33	1860.84
2012-13	21956.48	5947.31	468.95	2230.56
2013-14	31096.07	7417.23	820.03	3297.96
2014-15	27590.58	13517.57	896.28	6255.53
2015-16	55807.02	27996.39	1320.37	13296.75
2016-17	58277.38	25305.05	1843.99	25451.03
2017-18	110854.7	28207.27	2601.02	27886.27
2018-19	65894.74	19118.95	3214.52	13577.43
2019-20	51871.3	14320.1	3542.36	10113.86
2020-21	36809.72	12262.03	4554.82	9180.2
2021-22	27466.64	9851.93	4407.68	6960.89

Source: Annual Reports of RBI, Money control website

Graphical Representation of Net Profit & Net NPAs of SBI and BOI Banks

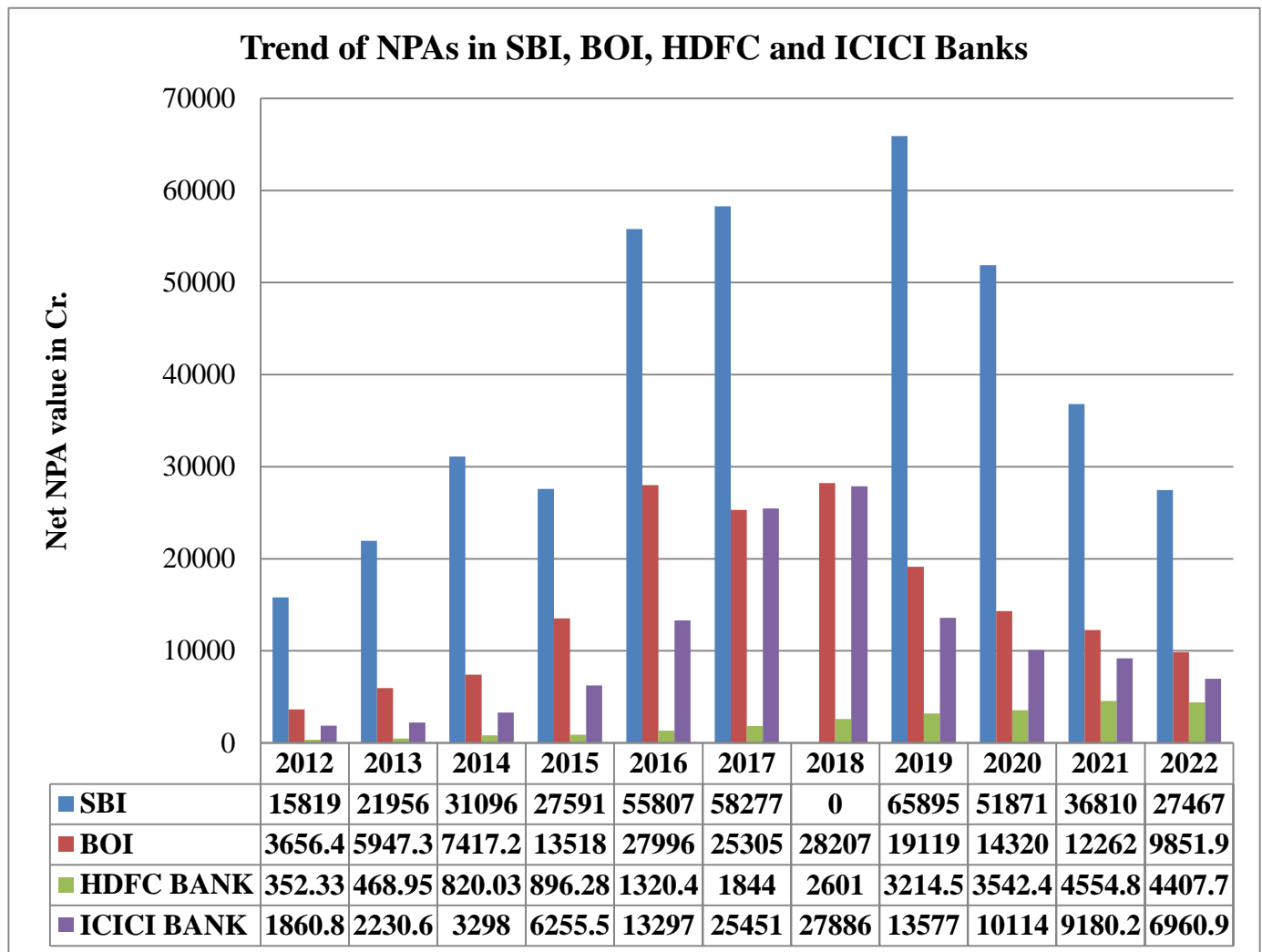
**Interpretation:**

Table-1 Reveals the trend of NPAs in public sector banks and private sector banks, here Net NPAs of selected public sector banks (SBI, BOI) and private sector banks (HDFC Bank, ICICI Bank) in India. The SBI and BOI is increased and even positive figure in the year of 2017-18 and rest of the years fluctuated. These are the public sector, and the private sector also forms a trend in NPAs in banking. These are HDFC Bank and ICICI Bank, here the Net NPA of HDFC is ₹4554.82 Cr in the year of 2020-21 and remaining is ICICI Bank is more than HDFC Bank because of its value of ₹27886.27 Cr. In the above Table or Graph SBI is more NPAs in the Span of 10 years.

Table-2**%Gross NPA of selected public and private sector banks in India from 2017 to 2022**

YEAR	PUBLIC SECTOR BANKS		PRIVATE SECTOR BANKS	
	%Gross NPA		%Gross NPA	
	SBI	BOI	HDFC BANK	ICICI BANK
2017-18	10.91	16.58	1.3	8.84
2018-19	7.53	15.84	1.36	6.7
2019-20	6.15	14.78	1.26	5.53
2020-21	4.98	13.77	1.32	4.96
2021-22	3.97	9.98	1.17	3.6
MEAN	6.708	14.19	1.282	5.926

Source: Annual Reports of RBI, Money control website

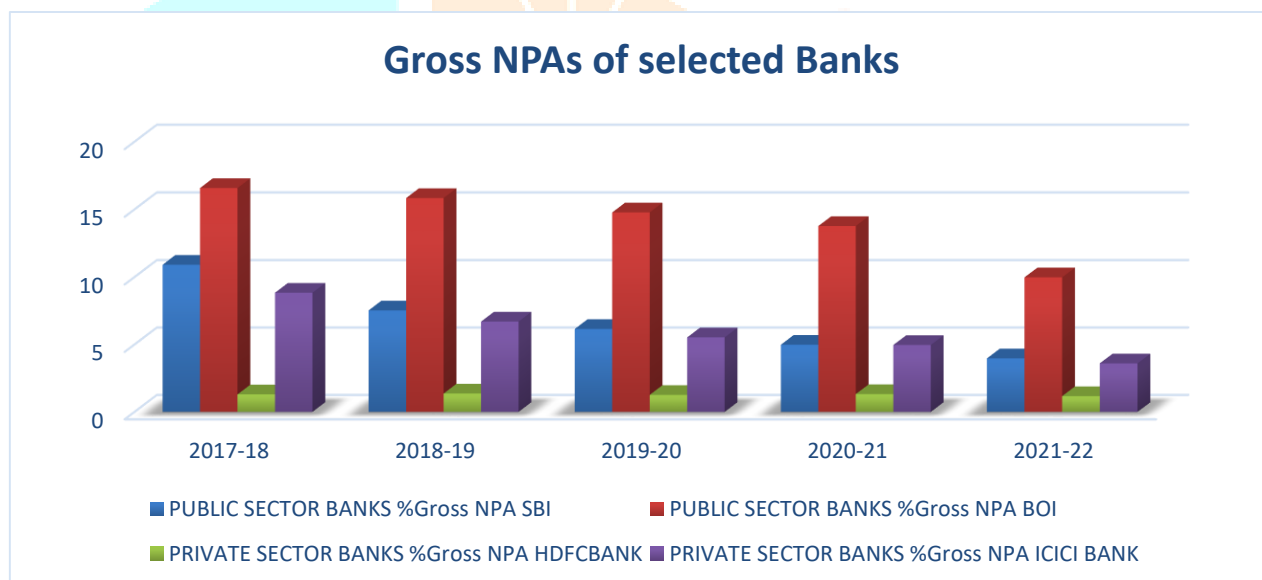
Graphical Representation of Net Profit & Net NPAs of SBI and BOI Banks**Interpretation:**

Table-2 reveals the % of Gross NPA of selected public sector and private sector banks in India. BOI has highest Mean ratio of 14.19%, followed by SBI with 6.708%. HDFC has lowest Mean ratio of 1.280%. ICICI Bank have 5.926% Mean ratio. This shows that there is a consistency in Gross NPA to Gross advances ratio or % Gross NPA ratio.

Table-3**Net Profit and Net NPA of selected public sector banks in India from 2017 to 2022**

YEAR	SBI		BOI	
	Net Profit (in Cr.)	Net NPA (in Cr.)	Net Profit (in Cr.)	Net NPA (in Cr.)
2017-18	-6547.45	110854.7	-6043.71	28207.27
2018-19	862.23	65894.74	-5546.9	19118.95
2019-20	14488.11	51871.3	-2,956.89	14320.1
2020-21	20410.47	36809.72	2,160.30	12262.03
2021-22	31675.98	27466.64	3404.7	9851.93
MEAN	12177.87	58579.42	-1796.5	16752.056

Source Annual Reports of RBI, Money control website

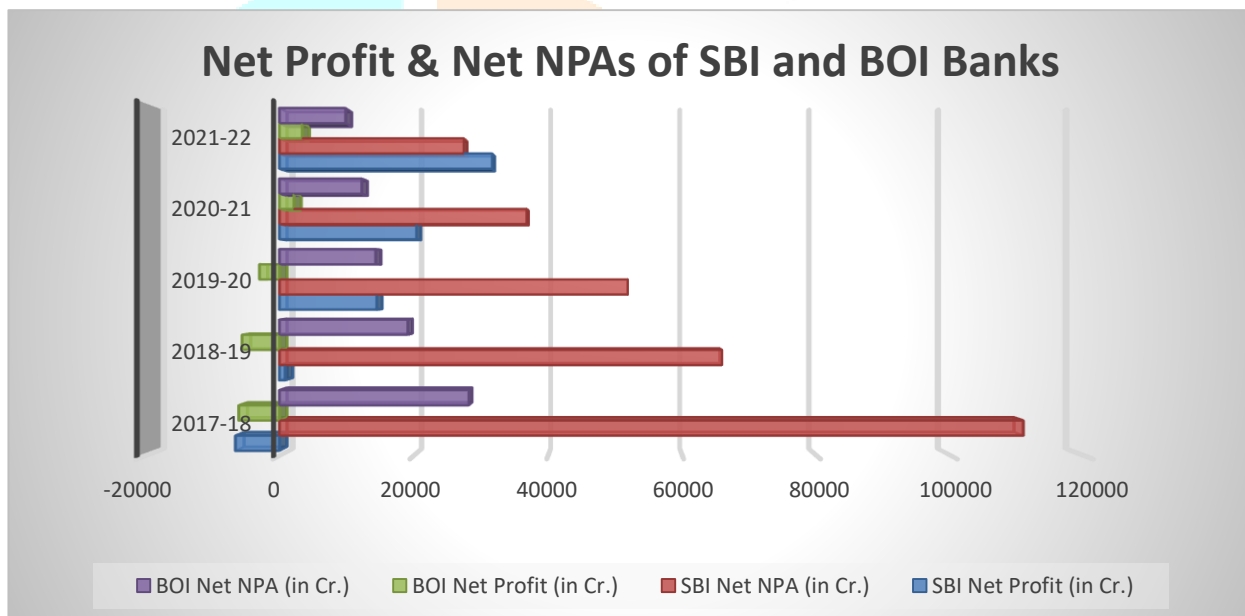
Graphical Representation of Net Profit & Net NPAs of SBI and BOI Banks**Interpretation:**

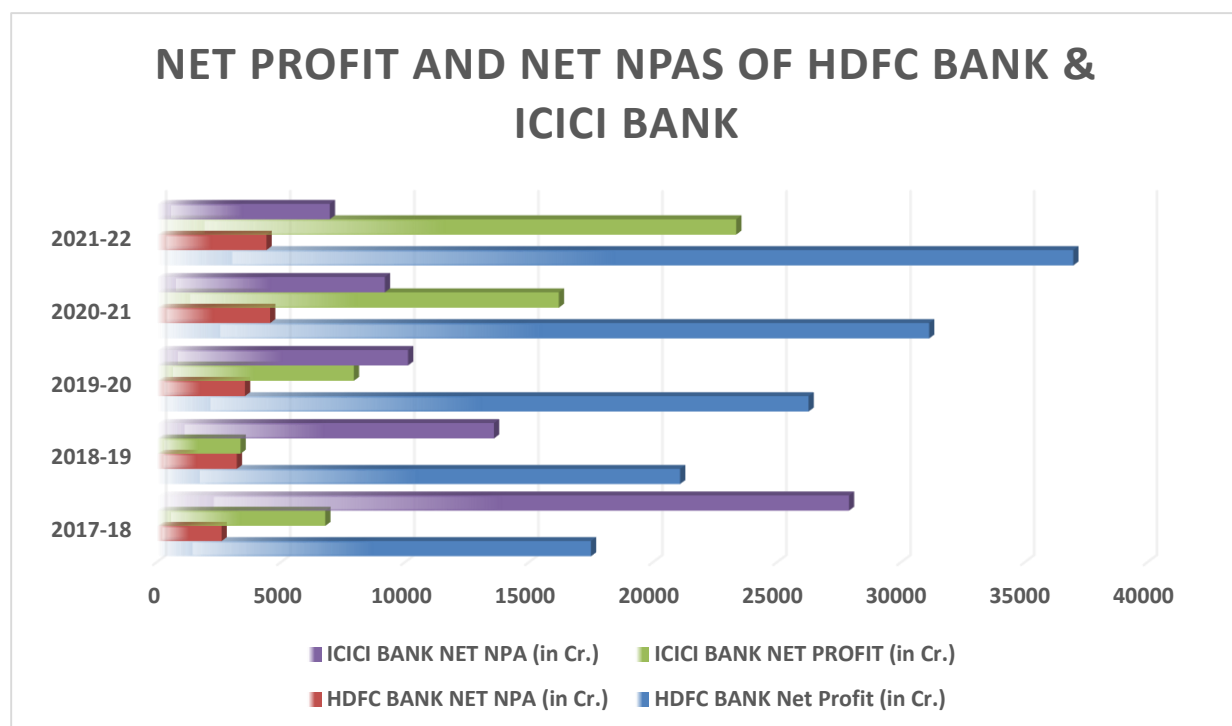
Table-3 shows that the Net Profit (in Cr.) and Net NPA (in Cr.) of 2 public sector banks. Such as SBI and BOI. The data of BOI Bank indicates that the Net profit and Net NPA are fluctuating over the 5years initially decreased and increased. But in SBI bank the Net Profit and Net NPA are initially increased then again decreased and then increased then decreased so on rate over the 5 years. The Mean value of Net profit is highest in SBI with ₹12177.87 Cr. and Mean value of NPA is highest in BOI Bank i.e., ₹-1796.5 Cr.

TABLE-4

YEAR	HDFC BANK		ICICI BANK	
	Net Profit (in Cr.)	Net NPA (in Cr.)	Net Profit (in Cr.)	Net NPA (in Cr.)
2017-18	17486.75	2601.02	6777.42	27886.27
2018-19	21078.14	3214.52	3363.3	13577.43
2019-20	26257.32	3542.36	7930.81	10113.86
2020-21	31116.53	4554.82	16192.68	9180.2
2021-22	36961.33	4407.68	23339.49	6960.89
MEAN	26580.01	3664.08	11520.74	13543.73

Source: Annual Reports of RBI, Money control website

Graphical Representation of Net Profit & Net NPAs of SBI and BOI Banks



Interpretation:

Table-4 shows that the Net Profit (in Cr.) and Net NPA (in Cr.) of 2 private sector banks. Such as ICICI Bank and HDFC Bank. The data of ICICI Bank indicates that the net profit and Net NPA are fluctuate over the 5 years. Initially increased then decreased then again increased then again decreased and so on. But in HDFC bank the Net Profit and Net NPA are increases at increasing rate over the 5 years. The Mean value of Net profit is highest in HDFC Bank with ₹26580.01 Cr. and Mean value of NPA is highest in ICICI Bank i.e., ₹11520.74 Cr.

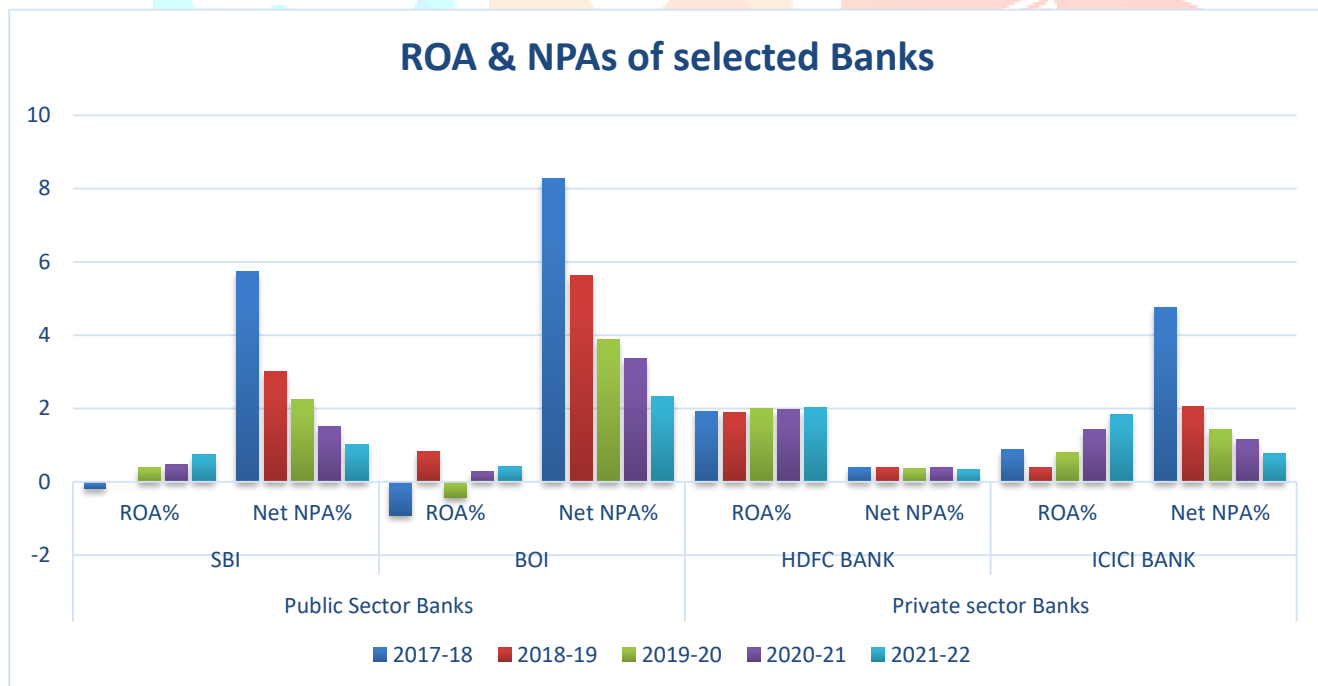
Table-5

Return on Assets (ROA) and Net NPA % of selected public sector banks in India from 2017 to 2022

YEAR	Public Sector Banks				Private sector Banks			
	SBI		BOI		HDFC BANK		ICICI BANK	
	ROA%	Net NPA%	ROA%	Net NPA%	ROA%	Net NPA%	ROA%	Net NPA%
2017-18	-0.19	5.73	-0.91	8.26	1.93	0.4	0.87	4.77
2018-19	0.02	3.01	0.84	5.61	1.9	0.39	0.39	2.06
2019-20	0.38	2.23	-0.43	3.88	2.01	0.36	0.81	1.41
2020-21	0.48	1.5	0.28	3.35	1.97	0.4	1.42	1.14
2021-22	0.74	1.02	0.43	2.34	2.03	0.32	1.84	0.76
MEAN	0.286	2.698	0.042	4.688	1.968	0.374	1.066	2.028

Source: Annual Reports of RBI, Money control website

Graphical Representation of Net Profit & Net NPAs of SBI and BOI Banks

**Interpretation:**

The table-5 shows the data of Return on Assets ROA % and Net NPA % of selected public sector and private sector banks in India from the year 2017 to 2022. The ROI% of SBI decreased and even negative figure in the year 2017-18 and Net NPA% are fluctuated over the years. In BOI, initially the NPA% is increased from the year 2017 to 2018 and then started to decrease. The ROI% of BOI show in negative figures in the year 2017-18 and 2019-20 and the rest of year it shown positive figures.

Mean value is lowest in SBI as 0.286%. HDFC has more ROA% mean value i.e., 1.968% over the year. The mean value of Net NPA % is more in BOI i.e., 4.688%.

Findings:

Comparison among public banks and private banks:

- **Gross NPA%:** It is the one of the key indicators of banking sector. According to the comparative analysis Gross NPA% is higher in public sector bank i.e., BOI of 14.19 and lower in private sector bank i.e., HDFC Bank with 1.282% mean value.
- **Net Profit (in Cr):** It shows the profitability of the bank. The mean value of Net profit is highest in HDFC Bank i.e., ₹26580.01 Cr. And lowest in BOI which shows negative figures i.e., ₹-1796.5 Cr.
- **Net NPA Amount (in Cr):** It is another key parameter of financial position of bank. As per the comparison Public sector bank i.e., BOI having higher Mean NPA value of ₹ 16752.056 Cr. And the Private sector bank i.e., HDFC Bank having lower Mean NPA amount of ₹3664.08 Cr.
- **Return on Assets (ROA %):** According to the comparison ROA% is more in HDFC Bank which has 1.968 mean of ROA%. And less in BOI which show negative Mean ROA% of 0.042.
- **Net NPA %:** As per the comparison between public sector banks and private sector banks Net NPA% is more in Public sector bank i.e., BOI which has mean value of NPA% is 4.688 and less in Private sector bank i.e., HDFC Bank with 0.374% of mean Net NPA%.
- **Growth of NPAs in Banking sector:** As per the comparison between public sector banks and private sector banks the growth of Net NPA is more in Public sector banks i.e., SBI is ₹110854.70 Cr and BOI is ₹28207.27 Cr compare to private sector banks i.e., HDFC Bank is ₹4554.82 Cr and ICICI Bank is ₹27886.27 Cr.

Conclusion:

Here, I get the conclusion from this that NPA is a crucial parameter for determining the financial stress of any Indian bank. NPA is among the main problems facing the banking industry. Although eradicating all banks NPA is challenging, we should endeavour to do it in some significant measure. Following the comparison, it was shown that public sector banks, such as Bank of India (BOI) in India, have higher NPA rates. As a result, BOI's net NPA and net profit have a negative, which has hurt the banks' profitability. HDFC Bank has a lower NPA% and a higher ROI%. This comparison of a few Indian public and private sector banks reveals that while eliminating a significant amount of the NPA from banks is challenging, we should endeavour to do so.

Bank Non-payment. As a result, it is a significant problem for both the government and public sector banks. The Reserve Bank of India (RBI) has now been given more authority to take steps against NPA in banks. Every public sector bank in India needs to pay more attention to its NPA. The bank must enhance both their

credit and repayment structures in order to eliminate NPA. It also emphasizes the strategy for reducing default risk. The bank must adhere to all governmental credit policies and act swiftly to address NPA. The bank also made improvements to its NPA management system.

Limitation and Future Scope of Study:

Secondary data provide the foundation of this study. I have just reached a conclusion based on an analysis of data gathered during the previous five years, from 2017 to 2022. The statistical theory employed is constrained. The researcher can conduct additional research on this subject by using data from the previous ten years, other statistical tools, and additional key indicators such as CASA%, ROCE%, Cost of Income%, etc. and examining their effects on bank NPAs.

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